MintKit Growth Index – Update 2021

Benchmark

for

Sprightly Growth at Modest Risk

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Summary

It has been a rough year for everyone as the coronavirus pandemic roiled the real and financial markets. One nasty blow was the crash of the stock market in the spring. Luckily, though, the bourse rebounded promptly and set a new record by the end of the summer.

After thrashing around in the autumn, the market again scaled an all-time peak by the end of the year. As a result, the flagship benchmark – namely, the S&P 500 Index – rose by some 16% over the previous year.

When the stock market forges ahead, high-growth stocks tend to outrun their plodding peers. In keeping with the norm, the MintKit Growth Index (MGX) climbed by nearly 48% over the same timespan.

From a larger stance, the MGX upon its launch was set to unity (1); that is, 100 percentage points. From this baseline, the Index reached 173.6965 points at the end of last year.

Summary (Continued)

Looking downstream, the outlook for 2021 is much brighter compared to the gloom of the past year. For one thing, the real economy will recover in stages from the drubbing caused by the pandemic. In that case, the stock market will continue to climb higher.

From a different slant, the politicians whipped up trillions of dollars out of thin air in a frantic effort to stimulate the economy in the throes of the pandemic. One fallout downrange is a swelling fear of inflation which will drive a growing throng of investors into the arms of precious metals such as gold. In that case, the mining industry will fare better than most of its peers in the near future and for many years to come.

Against this backdrop, the revised roster for MGX takes a moderately aggressive approach to the stock market. Even so, the goal for the coming year centers on zesty growth with ample stability rather than lusty vigor with stellar potential.

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Purpose

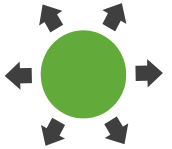
MintKit Growth Index (MGX) is a benchmark focused on spry growth at modest risk.

The lodestar draws on the population of large-cap stocks for the sake of robustness and stability.

The Index may serve as a starting point for the prudent investor in crafting a strategy to nurture a portfolio of moderate size. In the interest of efficiency in monitoring and updating a personal fund, the benchmark includes only a limited number of stocks.

Further details on the purpose and methodology behind the MGX are available in MintKit (2018).

Market Backdrop



In recent years, the stock market has bounced around much more than usual. An uptrend began in early 2016 and for the most part prevailed for more than a year. The upthrust gave way to a breakdown in early 2018. Next, the market faltered toward the end of the year then suffered another blow by way of a full-blown crash: a rare event for the bourse in December.

Next came the pandemic which walloped the global economy starting in early 2020. On a positive note, governments round the world responded with an avalanche of financial support for individuals as well as businesses to keep the economy afloat.

When the market rises, growth stocks tend to surge more than their stodgy peers. In line with this precept, the MintKit Growth Index fared better than the bourse as a whole last year.

The most popular benchmark among professionals – be they practitioners in the trenches or researchers on the sidelines – lies in the Standard & Poor's index (SPX) that tracks 500 heavyweights of the stock market. For this reason, the SPX is a fitting touchstone for gauging the performance of the MGX.

Return for the Past Year

Return on investment by way of capital gains for the members of MGX.

No.	Symbol	Name	Cost ($)	Worth ($)	Return
1	AMZN	Amazon.com, Inc.	1847.84	3256.93	76.2561%
2	ASML	ASML Holding	295.94	487.72	64.8037%
3	EA	Electronic Arts	107.51	143.6	33.5690%
4	FB	Facebook	205.25	273.16	33.0865%
5	GOOG	Alphabet	1337.02	1751.88	31.0287%
6	ICE	Intercontinental Exchange	92.55	115.29	24.5705%
7	MA	Mastercard	298.59	356.94	19.5418%
8	MSFT	Microsoft	157.70	222.42	41.0399%
9	NOW	ServiceNow	282.32	550.43	94.9667%
10	PYPL	PayPal Holdings	108.17	234.2	116.5110%
11	UNH	UnitedHealth Group	293.98	350.68	19.2870%
12	V	Visa Inc.	187.90	218.73	16.4077%
				Average:	47.5891%
				Reset MGX:	173.6965
				SPX:	**140.4868**

Average Gain Since Launch

During the past year, MGX grew by some 48% and thus bettered the SPX which chalked up around 16%.

Since its inception at the onset of 2018, the growth index has turned in a *Compound Annual Growth Rate* (CAGR) of some 20%. Meanwhile the corresponding score for the SPX was about 12% per year.

Year	MGX (Pt.)	SPX	MGX Gain	SPX Gain
Onset	100.0000	2,673.61	NA	NA
2018	88.1746	2,506.85	-11.8254%	-6.2373%
2019	117.6893	3,230.78	33.4730%	28.8781%
2020	173.6965	3,756.07	47.5890%	16.2589%
		CAGR:	20.2072%	11.9984%

Updated Index

The initial value of MGX upon its launch was set to unity (1); that is, 100 percentage points.

The stocks in the Index are equally weighted. For this reason, the average return on the portfolio is a simple average of the payoffs due to the constituent stocks.

The previous slide shows that the benchmark has grown by a little over 20% per year on average.

As a result, the current level of MGX is 173.6965 points.

Revised Roster

The new line-up of stocks in the MGX is as follows.

No.	Symbol	Name	Cost ($)
1	AEM	Agnico Eagle Mines	70.51
2	AMZN	Amazon	3256.93
3	BABA	Alibaba	232.73
4	CMG	Chipotle	1386.71
5	MA	Mastercard	356.94
6	NFLX	Netflix	540.73
7	NOW	ServiceNow	550.43
8	NVDA	Nvidia	522.20
9	PAAS	Pan American Silver	34.51
10	TSLA	Tesla	705.67

Leanness of MGX

The purpose of the MintKit Growth Index is to serve as a reference for designing a personal portfolio. It is best suited to a busy person who can tend their portfolio only once a year.

For this reason, MGX is a highly passive yardstick that is reviewed and updated on an annual basis. By contrast, the popular benchmarks of the bourse revise their rosters several times each year.

At the dawn of the millennium, for instance, the S&P Index has a custom of adding and dropping dozens of stocks whenever convenient within the span of a single year. In addition, the weightings of the members are adjusted every 3 months. Moreover, the very procedure for the inclusion or ejection of a stock may be revised as a general policy; or even altered on an ad hoc basis for any given stock.

In a variety ways, then, the benchmark is wont to be modified a couple of dozen times each year. Naturally, the same applies to its tracking funds such as the communal pool known widely as *SPY*.

Drawbacks of Yearly Reviews

A counterpoint to the antsy and groping behavior of the renowned benchmarks lies in the MintKit Growth Index. The latter employs a demure strategy highly suited to a busy person who can afford to devote almost no time and effort to tending their portfolio.

On a negative note, though, the lean approach in spite of its convenience does come at a price. Consider an investor who can devote a modicum of time to study the markets and tweak their portfolio more than once a year. A modicum of deft intervention could well give rise to better performance than the MGX.

An example involves a live account that is managed more actively while using the hybrid methods of prediction described at MintKit.com. The fund procured its first stake in Tesla (symbol: *TSLA*), a vendor of cars and other products, on 29 January 2020 just before the quarterly earnings were announced that evening (Kim, 2020).

The stock was acquired in view of its strength over the preceding days and weeks; the pattern began to reflect the vibrant outlook for the company over the long range. The purchase price at that point was $577.34 per share. Then additional units were bought in the days, weeks and months to follow.

Drawbacks of Yearly Reviews (Cont.)

By the end of the year, the equity was worth $705.67 per share after adjusting for a stock split of 5-for-1 which occurred at the end of August. In other words, each share at the outset had turned into 5 units with a combined value of $3528.35: a return of some 511% over the initial cost.

If the Growth Index were a semi-active beacon like most benchmarks, it would surely have acquired TSLA last year: perhaps in late January 2020 or shortly afterward (Kim, 2020). In that case, the portfolio would have enjoyed a big boost since the stock more than quintupled from late January 2020 to the end of the year.

However, no such modification could be made to the MGX due to the sedate approach to stock selection and portfolio revision.

To recap, the fixed cycle of annual reviews consigns the MGX to operate at a handicap compared to the popular benchmarks of the bourse. Even so, the Growth Index managed to beat the renowned touchstones including the SPX over the course of 2020.

In short, an aloof approach to investment entails only a smidgen of time and effort. But the downside is to forgo many a plum opportunity for superior gains.

Wrap-up

A dynamic economy finds itself in a constant state of flux. Amid the ferment, newborn firms sprout and bloom while aging ones wilt and croak. In this roily environment, any benchmark of the stock market has to undergo an endless process of renewal if it is to survive, let alone flourish, over the long range. The same precept applies to the MintKit Growth Index.

The latter benchmark was launched at the onset of 2018. During the first year, the stock market began with a bang but ended with a crash that more than wiped out the modest gains chalked up during the spring and summer.

When the stock market tumbles, agile stocks tend to suffer more than their lumbering peers. Not surprisingly, the MintKit Growth Index fared worse than the bourse as a whole.

In 2019, however, the market bounced back smartly from its latest crackup. The story was similar in 2020.

Wrap-up (Cont.)

The initial value of MGX upon its launch was set to unity (1); that is, 100 percentage points. As a result, the current level of MGX as we begin a new year comes out to 173.6965 points.

Since the Index rose by some 48% last year, it trumped the SPX which notched around 16%. That much was to be expected given the high sensitivity of lively stocks to movements of the bourse at large.

Looking downstream, the outlook for the stock market going forward is brighter than last year's. The global economy will recover in stages from the severe beating dished out by the coronavirus pandemic.

As a result, the stock market is slated to enjoy a jaunty ride over the year to come.

Despite the lively trends, the revised roster for MGX takes a moderately upbeat approach rather than a highly aggressive one. The goal as usual lies in sprightly growth at modest risk.

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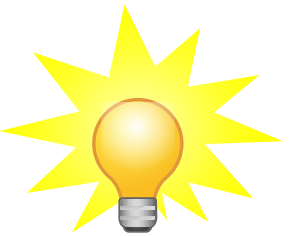

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